

Testimony of Patrick A. Heller, Industry Council of Tangible Assets, Inc.
SUPPORT TO AMEND HB1284 NOT TO REPEAL THE BULLION AND COINS EXEMPTION
Maryland House Ways and Means Committee, Thursday, March 5, 2020

Dear Chairwoman Kaiser and members of the Committee:

I write to encourage your support to amend HB1284 **not to repeal** the bullion and coins exemption. Although I am not a Maryland resident, I previously worked as a certified public accountant before, in 1981, becoming owner of Liberty Coin Service for 33 years, the largest coin and precious metals dealership in Michigan.

When Michigan enacted a comparable exemption in 1999, the House and Senate fiscal agencies and the Michigan Treasury used my calculations for the tax expenditure in their analyses. I also conservatively forecasted the likely increase in Michigan tax collections if the exemption was enacted, and later documented that the actual increase in tax collections was nearly double my estimate.

My research has been used to support enactment of similar exemptions in the states of Alabama, Indiana, Iowa, Minnesota, Nebraska, North Carolina, Oklahoma, Ohio, Pennsylvania, South Carolina, and Virginia and to expand an existing exemption in Texas and Louisiana (and to help reinstate Louisiana's exemption after it was suspended in 2016).

I also supported the effort where the West Virginia legislature passed S 502, a sales tax exemption on coin and precious metals bullion sales, on March 8, 2019 (33-0 in the Senate and 90-9 in the House). I also have submitted my written testimony to the Arkansas Senate Revenue and Tax Committee on SB 389, which would enact a coin and precious metals bullion sales tax exemption, where the committee chair is a co-sponsor of the bill. Since 2002, I have been a member of the board of directors and served as treasurer for 17 years of the national coin dealer trade association, the Industry Council for Tangible Assets.

I was one of the two people who prepared and analyzed ICTA's national coin dealer survey in 2016 that documented how a coin and precious metals bullion sales tax exemption results in a net increase in sales tax collections:

- Increased coin and precious metals bullion sales by in-state coin dealers result in increased sales of merchandise subject to sales tax such as antiques, jewelry, hobby supplies, and other collectibles. These increased sales **replaced an average of 67% of the tax expenditure** of the exemption.
- A Michigan Treasury research study in the 1990s concluded that 38.5% of all payrolls are spent on merchandise on which sales taxes are collected. In Michigan, the increase in industry payrolls as a result of the exemption **replaced more than 100% of the tax expenditure** of the exemption.
- Major coin shows will only locate events in states with coin and precious metals sales tax exemptions. When the state of Florida revoked its coin and precious metals bullion sales tax exemption in the 1990s, the Orange County Convention & Visitors Bureau later issued a report that hospitality industry sales in that state fell by \$60 million annually as a result of cancelled shows or shows that were relocated to states with exemptions. **This hospitality industry sales tax collection decline was greater than the increase in sales tax collections on coin and precious metals bullion sales.**

A handful of states have revoked or suspended sales tax exemptions on coin and precious metals bullion sales—Colorado, Florida, and Louisiana (twice). In these states, the same or a similar exemption was restored. Last year, Ohio also revoked its exemption for a second time.

- In Colorado, the legislature twice passed bills to restore the exemption, only to have them vetoed by the governor. As I understand it, the governor's objection was that any tax cut passed into law could not



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then be rescinded by the legislature, instead having to be done by the state's voters. After the second veto, the legislature voted to override the governor's veto.

- In Florida, the independently confirmed tremendous loss of sales tax collections by the hospitality industry led to a quick enactment of a new exemption.
- In Louisiana, the first revocation led to a sales decline by some dealers of as much as 90%, with dealers closing, moving out of state, or cutting staff. The second occurrence in 2016 was part of a 27-month suspension of about 285 tax exemptions and credits en masse to address the state government huge revenue shortfall caused by lower oil and gas prices. When state tax collections fell even further as a result of the loss of the coin and precious metals bullion sales tax exemption, with dealers again closing, moving out of state, or cutting staff, a comparable coin and precious metals bullion sales tax exemption was restored in 2017, one of only four exemptions or credits restored that year.
- Ohio revoked its exemption in 2005 as the result of a political scandal not related to the exemption. Within six months, at least 100 Ohio coin dealers had either closed, moved to another state that had a precious metals bullion and coin sales tax exemption, or laid off staff. All the largest Ohio coin shows were cancelled within a few months. When it was documented that total industry tax collections declined, a similar exemption was re-established in the first half of last decade. Through inadequate communications during the state's budget process, the second Ohio exemption was eliminated just over five months ago. As coin dealer tax collections have again declined, my understanding is that the latest exemption may be reinstated this year as part of the technical corrections to last year's budget process.

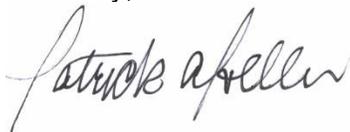
Currently, almost 85% of the US population live in 38 states with either no sales taxes at all, or complete or partial coin and precious metals bullion sales tax exemptions, including nine of the 10 most populous states. Such exemptions have proved revenue positive for the state governments as a result of business development.

The state of Maryland is host annually to three of the nation's ten largest coin shows. These three trade shows annually generate several million dollars in revenues to Maryland's hospitality industry. Maryland became the site for these shows instead of Florida because they were established, in part, by a Florida dealer who decided not to place these shows in his home state during the time that Florida had revoked its exemption. Even after Florida reinstated its exemption, these shows have remained in Maryland.

One final point is that those seeking to own precious metals have significant intangible alternative options on which no Maryland sales tax would ever be collected. Maryland residents could choose to not purchase precious metals bullion in a tangible form at all. Instead, at prices below \$200, they could purchase shares of a gold or silver exchange-traded fund (ETF). Or they could purchase certificates of ownership of physical precious metals sitting in the vaults of the Perth Mint in Australia, the Royal Mint in England, or the Royal Canadian Mint in Canada. They could also purchase gold or silver commodity futures or options contracts or shares of stock of gold or silver mining companies. Maryland residents do not have the intangible alternatives when purchasing clothing, furniture, vehicles, gasoline, and other tangible products. But, to the extent that Maryland residents alter their purchases of precious metals bullion to such intangible choices, that will result lost jobs in Maryland.

For all these reasons, I urge your support to amend HB1284 **not to repeal** the bullion and coins exemption when it is considered in committee this week. If you have further questions, I can be reached via email at path@libertycoinservice.com or you can call me on my mobile phone at (517) 290-6234. Thank you for your attention and consideration.

Sincerely,



Patrick A. Heller, Director
Industry Council for Tangible Assets